

SOUTH AKIM RURAL BANK LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022**

SOUTH AKIM RURAL BANK LIMITED**Financial statements for the year ended 31 December 2022**

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SOUTH AKIM RURAL BANK LIMITED**Corporate information for the year ended 31 December, 2022****Board of Directors**

Mr. William Kwadwo Boateng	Chairman	-
Dr. Mark Boadu	Member	-
Dr. Edward Kwapong	Vice chairman	<i>Retired on 24th September, 2022</i>
Mr. Stephenson Samuel Ayeh	Member	-
Mr. Joseph Sarpong	Member	<i>Retired on 24th September, 2022</i>
Mrs. Elisabeth Afriyie Fianko	Member	<i>Retired on 24th September, 2022</i>

Secretary

Mr. Stephen Y. Nteful

Solicitors

Mr. I. Okyere- Darko
Baako Apem Chambers
P.O. BOX 32
Koforidua

Principal place of business

Bank Premises
P.M.B – Nankese
House No. N380
Nankese

Registered office

Bank Premises
P.M.B-Nankese
House No. N380
Nankese

Company registration number

CS293192018

Taxpayer's identification number

C000690453X

Independent auditors

UHY Voscon Chartered Accountants
2nd Floor, Cocoshe House,
Opposite Silver Star Tower
Agostinho Neto Close
Airport Residential Area
P.O Box LA 476
La-Accra.

Banker:

ARB Apex Bank PLC

Agencies:

Nankese, Koforidua, Adweso,
Suhum, Adoagyiri, Asamankese,
Osenase and Kade

SOUTH AKIM RURAL BANK LIMITED**Five-year financial summary and financial highlights***(All amounts are stated in Ghana cedi unless otherwise stated)*

Five-year financial summary	2022	2021	2020	2019	2018
Interest income	20,873,899	18,489,465	15,723,499	14,552,403	16,769,440
Interest expense	(4,202,154)	(3,694,611)	(3,407,255)	(3,617,845)	(3,424,369)
Commission and fees	1,898,932	1,383,602	1,384,667	1,270,685	1,328,336
Other operating income	717,848	555,777	749,232	657,410	240,890
Profit before tax	3,092,243	2,437,704	1,707,855	1,057,510	3,242,037
Tax expenses	(962,008)	(681,989)	(789,504)	(424,301)	(1,081,674)
Profit after tax	2,130,235	1,755,715	918,351	633,209	2,160,363
Total assets	123,309,350	107,566,022	100,399,041	80,161,223	74,873,550
Equity	11,604,225	9,974,898	11,450,218	10,540,257	11,731,714
Total equity and liabilities	123,309,350	107,566,022	100,399,041	80,161,223	74,873,550

Financial highlights	2022	2021	Percentage (%)
Interest income	20,873,899	18,489,465	12.90
Interest expense	(4,202,154)	(3,694,611)	13.74
Commission and fees	1,898,932	1,383,602	37.25
Other operating income	717,848	555,777	29.16
Profit before tax	3,092,243	2,437,704	26.85
Tax expenses	(962,008)	(681,989)	41.06
Profit after tax	2,130,235	1,755,715	21.33
Total assets	123,309,350	107,566,022	14.64
Equity	11,604,225	9,974,898	16.33
Total equity and liabilities	123,309,350	107,566,022	14.64

SOUTH AKIM RURAL BANK LIMITED
Statement of Directors' responsibilities

Directors' responsibilities in respect of the financial statements

The Directors are required to ensure that adequate accounting records are maintained so as to disclose at reasonable adequacy, the financial position of the Bank. They are also responsible for steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They must present financial statements for each financial year, which give a true and fair view of the affairs of the Bank, and the results for that year. In preparing these financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment.
- state whether or not the Companies Act, 2019 (Act 992), the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with International Financial Reporting Standards ("IFRS") have been adhered to and explain material departures thereto.
- use the going concern basis unless it is inappropriate.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the year under review, which could have a material impact on the business.

The financial statements are prepared from the accounting records on the basis of consistent use of appropriate records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Bank. The financial statements have been prepared on a going concern basis and there is no reason to believe that the Bank will not continue as a going concern in the next financial year. The Directors confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently.
- made judgments and estimates that are reasonable and prudent.
- followed the International Financial Reporting Standards.
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them ensure that the financial statements comply with the Companies Act, 2019 (Act 992), the Bank and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and in accordance with International Financial Reporting Standards ("IFRS"). They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By the order of the Board:

Name of Director	Name of Director
Signature	Signature
Date	Date

**Report of the Directors
To the members of
South Akim Rural Bank Limited**

In accordance with the requirement of section 136 of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we present our report together with the audited financial statements for the year ended 31 December, 2022, which disclose the statement of the affairs of South Akim Rural Bank Limited (the “Bank”).

Financial results

Detailed financial results for the year are set out in the attached audited financial statements with an extract as below.

	2022	2021
Total income	23,490,679	20,428,844
Profit before tax for the year	3,092,243	2,437,704
from which is deducted income tax expense of	(962,008)	(681,989)
giving profit after tax of	2,130,235	1,755,715
to which is added balance on retained earnings account brought forward of	2,204,832	1,803,762
Prior year adjustment	(970,309)	(915,716)
leaving a balance before statutory and other transfers of	3,364,758	3,559,477
From which the following transfers were made:		
Transfer to statutory reserve	(266,279)	(438,929)
Movement in BOG and IFRS 9 loan provision	24,614	-
Transfer to dividend account	-	-
Transfer to development fund account	-	-
Retained earnings at year end	3,123,093	2,204,832

The Directors consider the state of affairs of the Bank to be satisfactory.

**Report of the Directors
to the members of the Bank (continued)**

Stated capital and capital adequacy ratio

The Bank has complied with the minimum capital requirement and the 10% minimum capital adequacy ratio.

Dividends

There was no declaration of dividend in the year under review.

Principal activities

The principal business of the Bank is to provide banking and related services including taking deposits and lending money. This has not changed during the year.

Appointment, retirement and re-election of Board members

In accordance with the Companies Act, 2019 (Act 992) and the regulations of Bank of Ghana, Dr. Edward Kwapong, Mr. Joseph Sarpong and Mrs. Elisabeth Afriyie Fianko term of serving on the Board ended on 24th September, 2022 and in view of that, they were not re-elected as directors in 2022.

Mr. Festus K. M Ofosu, Mr. Emmanuel Obiri Addo, Dr Collins Nii Anang Okpoti and Dr Oware Knight Theophilus were newly elected as directors at the Annual General Meeting held in September 2022. They are yet to be cleared by Bank of Ghana.

Directorate

The Directors in office at the date of this report are as follows:

Directors	Qualification/ Profession	Designation	Appointment Status	Outside board & management position
Mr. William Kwadwo Boateng	Dip. Part A&B (CIB London)	Chairman	Term ended 02/01/2023	Entrepreneur
Dr. Edward Kwapong	B. Law/Master of Public Admin, Phd humanities albeit Honorary	Vice chairman	Term ended 24/09/2022	Legal/HR Consultant
Dr. Mark Boadu	PHD Corporate Governance	Member	Active	Lecturer
Mr. Joseph Sarpong	Technological Certificate	Member	Term ended 24/09/2022	Chief Technologist
Mrs. Elisabeth Afriyie Fianko	Diploma in Basic Education	Member	Term ended 24/09/2022	Teaching
Mr. Stephenson Samuel Ayeh	MSLC	Member	Active	Printing

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Directors' capacity building

Training to the Board of Directors is essential as this will enable them continually update their skills, their knowledge and familiarity with the Bank's businesses, their awareness of sector, risk, regulatory, legal, and financial and other developments to enable them to fulfil effectively their role on the Board.

The Directors were made to attend various training, workshop and seminars as outlined in the following table.

Area of training	Participants
Training on Cyber Security and Fraud Management	Dr. Mark Boadu
Training on Corporate Governance Certification for Board of Directors	Mr. William Kwadwo Boateng Dr. Mark Boadu Mr. Stephenson Samuel Ayeh
Training on Corporate Governance Directive for RCB	Mr. William Kwadwo Boateng Dr. Edward Kwapong Dr. Mark Boadu Mr. Joseph Sarpong Mrs. Elizabeth Afriyie Fianko Mr. Stephenson Samuel Ayeh
Training in Governance and Compliance (GRC) with RCB	Dr. Mark Boadu Mr. Stephenson Samuel Ayeh

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Management Professional development and training

The following trainings were undertaken for management during the reporting year.

- Effective Leadership skills training
- Sales Management, Selling skills & Market Research
- AML Reporting, Act 1044
- Cyber Fraud Management
- Comprehensive Training CR Officers, FMs & Agency Managers
- Roll-out of Transaction Monitoring Tool (Financial Crime Mitigation)
- Financial Crime Mitigation
- Annual Risk Compliance & Internal Auditors Forum
- Credit Delivery Refresher

Conflict of interest and compliance

The Bank has established appropriate conflicts and authorization procedures, whereby actual or potential conflict or complaints are regularly reviewed and authorization sought as appropriate. During the year, no such conflicts arose. Necessary actions were also taken to resolve customers' complaints.

Particulars of entries in the Directors' interest register during the financial year

During the year the following directors' expressed interest in certain transactions with the Bank. In accordance with section 194 to 196 of the Companies Act, 2019 (Act 992), they were appropriately entered into the interest register.

Date	Interest	Director's Name
01.12.2022	Loan	Mr. William Kwadwo Boateng
15.12.2022	Loan	Dr. Mark Boadi
22-07-2022	Loan	Mr. Stephenson Samuel Ayeh

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Independent Auditor

The external auditors are responsible for independently reviewing and reporting on the Bank's financial statements for the year. The financial statements have been reviewed by the Bank's external auditors and their report is presented on pages 16-21.

In accordance with section 139 (11) of the Companies Act, 2019 (Act 992), UHY Voscon will no longer continue in office as auditor of the Bank.

Audit fees

The amount payable for the 2022 statutory audit is GHS 45,119 excluding Value Added Tax (VAT) and National Health Insurance, Ghana Education Trust Fund, and Covid-19 levies.

Events after reporting year

The management is not aware of any event that will affect the going concern of the Bank after the reporting year.

Corporate social responsibilities

The Bank supported the Farmers' Day celebration at areas where it operates. The Bank also donated cement to the Ghana Police Service, sponsorship to the traditional councils for the festival celebrations and educational sponsorships of basic schools during the year. No donations were made to any political organization.

Related party transactions

Related party transactions and balances are disclosed in note 36 to the financial statements. All the Directors and key management personnel have interest in shares but not loan stock of the Bank. Other than service contracts and those reported under directors' interest, no Director has a material interest in any contract to which the Bank was a party during the year.

**Report of the Directors
to the members of
South Akim Rural Bank Limited (continued)**

Code of ethics

a. Employee

South Akim Rural Bank Limited has a Code of ethics for the staff and has been made available to all employees of the Bank through Union of Industry, Commerce & Finance (UNICOF) of the Ghana Trade Union Congress (GTUC).

The number and percentage of male and female employed during the financial year vis-à-vis total workforce

31 December 2022	Male (Number)	Female (Number)	Total (Number)	Male (%)	Female (%)
Employees	121	62	183	66%	34%
Gender analysis of the Board and top management is below:					
Board	2	-	2	100%	Nil
Top management	6	2	8	75%	25%
Detailed analysis of the Board and top management is below:					
Non-executive Directors	2	-	2	100%	Nil
Heads of department	6	2	8	75%	25%
Total	8	2	10	80%	20%

Approval of financial information

The financial information for the year set out on pages 22 to 60 which have been prepared on a going concern basis, were approved by the Board of Directors and are signed on their behalf.

By the order of the Board:

Name of Director.....	Name of Director.....
Signature.....	Signature.....
Date.....	Date.....

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report

South Akim Rural Bank Limited is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and Executive Management to provide an effective oversight and management of the Bank in a manner that enhances shareholders' value and promotes investors' confidence. The Bank's corporate governance principles are contained in a number of corporate documents. The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Executive Management, approval of business strategies, evaluation of performance and assessment of major risks facing the Bank. In discharging its obligations, the Board exercises judgment in the best interest of the Bank and relies on the Bank's Executive Management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's Executive Management subject to clear instructions in relation to such delegation of authority and the circumstances in which Executive Management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank. The Board is made up of Non-Executive Directors.

South Akim Rural Bank Limited's commitment to ensuring international best practice in terms of Corporate Governance remains strong and unwavering.

1. Board composition

Membership of the Board is made up of six (6) persons. The Board at all times, shall be regulated by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930), notices of Bank of Ghana and ARB Apex Bank PLC.

All the Directors have varied experience and backgrounds and are well equipped to handle the responsibilities of the Board.

The Board's oversight of the operations and activities of the Bank continues to be carried out transparently. The Board shall concentrate on policy direction of the Bank whilst the day-to-day administration of the Bank is vested in the Chief Executive Officer and his team.

Approval and acceptance of high-risk Loans and Overdraft and Investment portfolios are done by the whole Board at their meetings. The Board acts as the general policy maker of the Bank. Below are some other mandates of the Board:

- Approval of budgets i.e., corporate plans, annual budgets, quarterly budgets, etc.
- Approval and review of the remuneration and incentives for staff and their general welfare
- Handles disciplinary issues with recommendations from the Supervising Manager and the Disciplinary Committee
- Acquisition and disposal of all assets have to be approved by the Board
- Promotion of staff based upon the recommendation of the Chief Executive Officer
- Oversight of Chief Executive Officer and the Management team
- Policy formulation (the guidelines necessary for the Bank to operate efficiently)
- Policy formulation that encompasses all core functions e.g., finance, audit, procurement, recruitment

Frequency of meetings

Meetings of the Board are usually held once every two months, but may be convened at any time the need arises.

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Board Sub-Committees

By resolution, the Board has established five (5) Committees in the performance of its mandate. These Committees are:

- Technical and Planning Committee
- Audit, Risk and Compliance Committee
- Human Resource and Development Committee
- Marketing, Mobilization and Microfinance Committee
- ICT Committee

Technical and Planning Committee

The Committee is composed of Dr. Edward Kwapong (Chairman), Dr. Mark Boadu, Mr. Stephenson Samuel Ayeh, Mr. Stephen Yamoah Nteful and ex-officio: Mrs. Felicity Baah, Mr. Richard Kpodji, Mr. Shani Mahama, Mr. Fred Ofori Anim and Mr. Llewellyn Theophilus Okunka Bruce being the Secretary.

Remit of the Committee

The Committee will meet at least once every month to deal with among others:

- Loans and overdraft issues
- All operational matters of the Bank
- Any other matter referred to the Committee by the Board of Directors.

Audit, Risk and Compliance Committee

The Committee is composed of Dr. Mark Boadu (Chairman), Dr. Edward Kwapong, Mr. Stephenson Samuel Ayeh, Mr. Stephen Yamoah Nteful, and Mr. Mark Anim Ayeh, being the Secretary of the Committee and ex-officio Ms. Dzigbordi Gadotor.

The Committee's terms of reference are as below:

The Committee shall meet every quarter and shall examine the budget comparing it with actual performance. The Committee will also see whether the Bank was meeting the objectives set up in the Corporate Plan specifically the Committee will share and report on

- Audit report
- Bank of Ghana on-site examination Report
- Budget variance analysis
- Procurement of essential asset

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Scope of activity

- A review of current financial statements and Bank of Ghana on Site Examination Report
- An assessment of whether the financial statements are complete and consistent with the information known to the Committee members and management and reflect appropriate accounting principles
- Particular emphasis should be paid to complex or unusual transactions
- Review of the report by auditors (Internal and external), as appropriate, on the audit scope and plan or audit findings generally
- Working closely with management and the Internal Auditor and External Auditor
- Effective oversight requires the Committee to have a significant interaction with management, to ask difficult questions, and to obtain reasonable answers. To do this, the members must have a solid understanding of the Bank's business and operations
- Working with the External Auditor, the Committee should ensure the independence of the external auditor, including the monitoring of any non-audit services and related fees
- Understand and approve the proposed audit scope, approach, and fees
- Understand the audit findings and ensure that management addresses any problems in a timely and effective manner, particularly if there is a qualified opinion
- Be readily available to the External Auditor for any formal or informal comments

Human Resource and Development Committee (HRDC)

Composition

The Committee is composed of Dr. Edward Kwapong (Chairman), Mr. Joseph Sarpong, Mrs. Elizabeth Afriyie Fianko, Dr. Mark Boadu, Mr. Stephen Yamoah Nteful, Mr. Llewellyn Theophilus Okunka Bruce and ex-officio: Mr. Micheal Asare being the Secretary.

The objectives of HRDC as shown below:

The Committee shall meet at least once every quarter. To ensure that the Bank has adequate qualified staff for its operations, and ensure that there is an effective system for:

- Recruitment
- Training
- Salary administration including placement
- Staff welfare
- Proper system at the workplace to ensure staff health
- Arranging durbars

Marketing, Mobilization and Microfinance Committee (MMMMC)

Composition

The Committee is composed of Mr. Stephenson Samuel Ayeh (Chairman), Mr. Joseph Sarpong, Mrs. Elizabeth Afriyie Fianko, Mr. Stephen Yamoah Nteful and ex-officio: Mrs. Felicity Baah, Mr. Shani Mahama and Mr. Richard Kpodji being the Secretary.

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

The objectives of MMMC as shown below:

In view of the competitive nature of the business, the Committee will ensure that the Bank maintains its market share. The Committee will therefore concern itself with bench marks set for Deposit level, Loans and Advances and will arrange advertisement, both Bill Boards and Newspaper and Radio.

Responsibilities;

The Committee will be responsible for supervising all aspects of Micro-Finance in the Bank including group organisation and education, relations with donor bodies (Subject to the approval of the Board), arranging loans and recoveries, getting all rank and file to show interest in Micro-Finance Scheme. The Committee will also arrange education of the youth in the catchment arrears of the Bank in entrepreneurship.

The Committee will oversee the Bank's susu system and encourage participants to get into the normal banking system when their operations experience growth.

Information Communication and Technology (ICT) Committee

The committee is composed of Mr. Joseph Sarpong (Chairman), Dr. Mark Boadu, Mrs. Elizabeth Afriyie Fianko and ex-officio: Mr. Stephen Yamoah Nteful (Secretary), Mr. Emmanuel Laud Anderson and Mrs. Felicity Baah.

Remit of the committee

The Committee shall:

- Implement new updates in ICT
 - Development of ICT policy
- Install new updates in the Bank's software

Frequency of meetings

Meetings of the Board are usually held once in two months, but may be convened at any time the need arises.

The Board and its Committees met as follows:	Number of meetings
Board of Directors	9
Technical and Planning Committee	12
Audit, Risk and Compliance Committee	8
Human Resource Committee	2
Marketing/Mobilization/Microfinance Committee	1
Information Communication and Technology (ICT) Committee	2
Adhoc Committees	10

Attendance at board and committee meetings

The Bank of Ghana stipulates that Directors must attend meetings as and when they are convened. Currently it is directed by Bank of Ghana for all financial institutions to have a meeting at least every quarter. Good corporate governance is fundamental to the long-term success of any institution. This remains the bedrock of the operations of the Bank and its Board.

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Board of Directors

The Board of Directors convened nine (9) meetings.

Directors	Attendance	Percentage (%)
Mr. William Kwadwo Boateng (Chairman)	7	77
Dr. Edward Kwapong (Vice chairman) *	5	55
Mr. Stephenson Samuel Ayeh	9	100
Mrs. Elizabeth Afriyie Fianko*	6	66
Mr. Joseph Sarpong *	6	66
Dr. Mark Boadu	9	100

*Did not attend all the meetings as their term on the Board ended.

Technical and Planning Committee

Technical and Planning Committee convened twelve (12) meetings during the year.

Members	Attendance	Percentage (%)
Dr. Edward Kwapong (Chairman)	9	75
Dr. Mark Boadu	12	100
Mr. Stephenson Samuel Ayeh	12	100
Mr. Stephen Yamoah Nteful	12	100
Ex-officio		
Mrs. Felicity Baah	12	100
Mr. Richard Kpodji	11	91
Mr. Llewellyn Theophilus Okunka Bruce- the Secretary.	12	100
Mr. Shani Mahama	12	100
Mr. Fred Ofori Anim	12	100

Audit, Risk and Compliance Committee

The Audit Committee convened eight (8) meetings during the year under review.

Members	Attendance	Percentage (%)
Dr. Mark Boadu (Chairman)	8	100
Dr. Edward Kwapong	5	62
Mr. Stephenson Samuel Ayeh	8	100
Mr. Stephen Yamoah Nteful	8	100
Mr. Mark Anim Ayeh (secretary)		100
Ex-officio		
Ms. Dzigbordi Gadotor	5	62

SOUTH AKIM RURAL BANK LIMITED
Corporate Governance (CG) report (continued)

Human Resource and Development Committee

The Human Resource and Development Committee convened two (2) meetings during the year under review.

Members	Total number attended	Percentage (%)
Dr. Edward Kwapong (Chairman)	2	100
Mr. Joseph Sarpong	1	50
Mrs. Elizabeth Afriyie Fianko	2	100
Dr. Mark Boadu	2	100
Mr. Stephen Yamoah Nteful	2	100
Mr. Llewellyn Theophilus Okunka Bruce	2	100
Ex-officio		
Mr. Micheal Asare -Secretary	0	0%

Marketing, Mobilization and Microfinance Committee

The Market/Mobilization and Microfinance Committee convened one (1) meeting during the year under review.

Members	Total number attended	Percentage (%)
Mr. Stephenson Samuel Ayeh (Chairman)	1	100
Mr. Joseph Sarpong	1	100
Mrs. Elizabeth Afriyie Fianko	1	100
Mr. Stephen Yamoah Nteful	1	100
Ex-officio		
Mrs. Felicity Baah	1	100
Mr. Richard Kpodji-Secretary	1	100
Mr. Shani Mahama	1	100

The ICT Committee convened two (2) meetings during the year under review and all members attended the meeting.

Members	Attendance	Percentage (%)
Mr. Joseph Sarpong (Chairman)	1	100
Dr. Mark Boadu	1	100
Mrs. Elizabeth Afriyie Fianko	1	100
Ex-officio		
Mr. Stephen Yamoah Nteful – the Secretary	1	100
Mrs. Felicity Baah	1	100
Mr. Emmanuel Laud Anderson	1	100

By order of the Board

Name of Chairman.....

Signature.....

Date.....

**Independent auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements

Opinion

In our opinion, the Bank has kept proper accounting records and the financial statements are in agreement with the records in all material respects and report in the prescribed manner, information required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2022, and of its financial performance and statement of cash flows for the year then ended and are drawn up in accordance with the International Financial Reporting Standards (IFRS's) as adopted by the Institute of Chartered Accountants Ghana (ICAG).

What we have audited

We have audited the accompanying financial statements of South Akim Rural Bank Limited for the year ended 31 December, 2022.

The financial statements comprise:

- statement of comprehensive income for the year then ended;
- statement of financial position as at 31 December, 2022;
- statement of changes in equity for the year ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank within the meaning of International Ethics Standards Board for Accountants (IESBA) and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA). We have fulfilled our other ethical responsibilities with the IESBA Code.

Going concern

The financial statements of the Bank have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate.

**Independent auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

Management has not identified a material uncertainty that may cast significance doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Bank. Based on our audit of the financial statements of the Bank, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Bank's ability to continue as going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. These matters are selected from the matters communicated with management and the board, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment of loans and advances</p> <p>Impairment of loans and advances to customers is a key audit matter due to the complexity and subjectivity in over estimating the amount of impairment.</p>	<p>Our procedures included:</p> <p>We focused our attention on an accurate computation of the non-performing loans ratio.</p>
<p>Loans for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that impairment exists on an individual basis, loans are assessed collectively for impairment. The estimation of the impairment loss allowance on an individual basis also requires management to make assumptions about the financial conditions of the borrower, expected future cash flows of the borrower and the amount recoverable from any collateral pledged.</p>	<p>We assessed and tested the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers</p> <p>We also assessed and tested the design and operating effectiveness of controls over the bank's loan impairment process regarding management's review process over impairment calculations.</p> <p>We further examined a sample of performing loans to evaluate if any indicators of impairment existed to test the completeness of individual impairment provisions.</p>

**Independent auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

Key Audit Matters (continued)

<p>The collective impairment loss allowance relates to losses incurred but not yet identified on other loans and advances. The two key judgments in the collective impairment assessments are the likelihood of default and the emergence period; and it is the latter which is the single most critical judgment, as there is limited historic data on which to accurately assess it and therefore, the most sensitive to adjustment. Accordingly, impairment of the Bank's loan and advances portfolio is considered to be a key audit matter.</p> <p>Impairment about changes in estimates occurring during the period and its sensitivity to key assumptions.</p> <p>Adoption of IFRS 16</p> <p>In accordance with the compliance to IFRS, any new standard that is applicable to the industry a Bank operates must be adopted by the Bank. At the end of the year 2022, the Bank has not adopted the IFRS 16.</p> <p>During the 2022 audit, there was no roadmap to indicate South Akim Rural Bank Limited preparation towards the adoption of the IFRS 16 as communicated by Those Charged with Governance.</p>	<p>From our substantive procedures, we validated the year end impairment figures by re-performing calculations and agreeing our figures with what was by the Bank client, for the sample we took.</p> <p>Our procedures included:</p> <p>We communicated this to those charged with governance in line with the requirements of the standards and what needs to be done by the Bank.</p> <p>The Bank intimated that they have consulted a professional consultant to help them fully implement and comply with these key standards within the shortest possible time</p>
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**Independent auditor's report
to the members of
South Akim Rural Bank Limited**

**Report on the audited financial statements (continued)
Other Information**

The Directors are responsible for the other information. The other information comprises the Report of the Directors, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930). These responsibilities include designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from the fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**Independent auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992)

The Companies Act, 2019 (Act 992) requires that in carrying out our audit work we consider and report on the following matters. We confirm that:

1. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
2. in our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
3. the statement of financial position and the statement of comprehensive income of the Bank are in agreement with the books of account.
4. We are independent of the Bank pursuant to section 143 of the Act.

Banks and Specialised Deposit-Taking Institutions Act

In accordance with Section 85 (2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), we hereby confirm that:

1. The accounts give a true and fair view of the state of affairs of the Bank and its results of operations for the year under review;
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
3. The Bank's transactions were within its powers;
4. In our opinion, the Bank has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) repealed and replaced by Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and the regulations enactments; and
5. The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

**Independent Auditor's report
to the members of
South Akim Rural Bank Limited**

Report on the audited financial statements (continued)

The engagement partner on the audit resulting in this independent auditor's report is ***Emmanuel K.D. Abbey*** (ICAG/P/1167).

For and on behalf of:

UHY Voscon (ICAG/F/2023/086)

Chartered Accountants

P.O. Box LA 476, La, Accra

2nd Floor, Cocoshe House

Opposite Silver Star Tower

Agostinho Neto Close,

Airport Residential Area

Accra – Ghana.

E: info@uhyvoscon-gh.com

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G.A-057-1475

Date:.....

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2022

Statement of comprehensive income

(All amounts are stated in Ghana cedi unless otherwise stated)

	Notes	for the year ended 31 December	
		2022	2021
Interest income	7	20,873,899	18,489,465
Interest expense	8	(4,202,154)	(3,694,611)
Net interest income		16,671,745	14,794,854
Commissions and fees	9	1,898,932	1,383,602
Other operating income	10	717,848	555,777
Total operating income		19,288,525	16,734,233
Impairment of loan	10.1	(516,169)	(997,191)
Other operating costs	11	(15,680,113)	(13,299,338)
Profit before taxation		3,092,243	2,437,704
Taxation	12b	(962,008)	(681,989)
Profit after taxation		2,130,235	1,755,715
Other comprehensive income		-	-
Total comprehensive income attributable to the Shareholders		2,130,235	1,755,715

The notes on pages 27 to 60 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2022

Statement of financial position

(All amounts are stated in Ghana cedi unless otherwise stated)

	Notes	2022	as at 31 December 2021
Cash and cash equivalents	13	12,100,440	12,053,987
Short term investment	14	44,693,967	7,000,000
Trading investments	15	24,938,653	46,511,649
Investment in subsidiary	17	1,800	1,800
Loans and advances to customers	18	36,522,507	36,950,862
Equity investments	19	200,928	200,928
Other assets	20	1,554,683	2,342,313
Prepayments	21	924,751	588,898
Deferred tax asset	12c	-	123,418
Taxation	12a	42,775	-
Property, plant and equipment	22	2,060,980	1,485,796
Intangible assets	23	267,866	306,371
Total assets		123,309,350	107,566,022
Liabilities and equity			
Liabilities			
Customer deposits	24	105,691,864	92,214,537
Long term liabilities	25	922,018	1,058,018
Payables and accruals	26	3,647,650	3,204,487
Dividend payable	27	1,350,355	1,103,959
Taxation	12a	-	10,122
Deferred tax liability	12c	93,237	-
Total liabilities		111,705,124	97,591,123
Equity			
Stated capital	28	3,487,878	3,487,878
Retained earnings		3,123,093	2,204,832
Statutory reserve fund	30	3,775,307	3,509,707
Capital reserve		130,204	130,204
Development fund	29	553,272	553,272
Deposit for shares		314,330	89,006
Credit risk reserve		220,142	-
Total equity		11,604,226	9,974,899
Total liabilities and equity		123,309,350	107,566,022

The notes on pages 27 to 60 are integral part of these financial statements. These financial statements were approved by the Board and signed on their behalf by:

Name of Director.....	Name of Director.....
Signature.....	Signature.....
Date.....	Date.....

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2022

Statement of changes in equity

(All amounts are stated in Ghana cedis unless otherwise stated)

For the year 31 December 2022

	Stated capital	Retained earnings	Capital reserve	Develop't fund	Credit risk	Statutory reserve fund	Deposit for shares	Total
At year start	3,487,878	2,204,832	130,204	553,272	-	3,509,707	89,006	9,974,899
Prior year adjustment	-	(970,309)	-	-	244,756	(679)	-	(726,232)
Restated balance	3,487,878	1,234,523	130,204	553,272	244,756	3,509,028	89,006	9,248,667
Deposit for shares	-	-	-	-	-	-	225,324	225,324
Transfer from deposit for shares	-	-	-	-	-	-	-	-
Profit for the year	-	2,130,235	-	-	-	-	-	2,130,235
Transfer to statutory reserve	-	(266,279)	-	-	-	266,279	-	-
Movement in BOG and IFRS 9 loan provision	-	24,614	-	-	(24,614)	-	-	-
Transfer to development fund	-	-	-	-	-	-	-	-
At year end	3,487,878	3,123,093	130,204	553,272	220,142	3,775,307	314,330	11,604,226

The notes on pages 27 to 60 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2022

Statement of changes in equity

(All amounts are stated in Ghana cedis unless otherwise stated)

For the year 31 December 2021

	Stated capital	Retained earnings	Capital reserve	Develop't fund	Credit risk	Statutory reserve fund	Deposit For Shares	Total
At year start	3,449,021	1,803,762	122,324	3,009,417	(46,305)	3,070,778	41,221	11,450,218
Prior year adjustment (IA)	-	(915,716)	-	(2,000,000)	46,305	-	-	(2,869,411)
Reinstatement balance	3,449,021	888,046	122,324	1,009,417	-	3,070,778	41,221	8,580,807
Deposit for shares	-	-	-	-	-	-	86,642	86,642
Transfer from deposit for shares	38,857	-	-	-	-	-	(38,857)	-
Profit for the year	-	1,755,715	-	-	-	-	-	1,755,715
Transfer to statutory reserve	-	(438,929)	-	-	-	438,929	-	-
Revaluation gain- equity investment	-	-	7,880	-	-	-	-	7,880
Dev't utilized	-	-	-	(456,145)	-	-	-	(456,145)
Transfer to development fund	-	-	-	-	-	-	-	-
At year end	3,487,878	2,204,832	130,204	553,272	-	3,509,707	89,006	9,974,899

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the ended 31 December, 2022

Statement of cash flows

(All amounts are stated in Ghana cedi unless otherwise stated)

	Notes	for the ended 31 December	
		2022	2021
Cash generated from operations before taxation	37	18,168,374	8,882,569
Tax paid		(925,000)	(850,000)
Net cash generated from operating activities		17,243,374	8,032,569
Cash flows from investing activities:			
Purchase of property, property and equipment		(1,165,274)	(706,325)
Increase in Investment		21,572,996	(8,199,689)
Proceeds from sale of assets		-	9,975
Net cash used in investing activities		20,407,722	(8,896,039)
Cash flows from financing activities:			
Proceeds from issue of shares		225,324	86,642
Development fund		-	(456,148)
Loan payment/received		(136,000)	(195,103)
Dividend paid		-	(15,031)
Net cash paid for financing activities		89,324	(579,640)
Increase in cash and cash equivalents		37,740,420	(1,443,110)
Cash and cash equivalents at the beginning of the year		19,053,987	20,497,097
Cash and cash equivalents at the end of the year		56,794,407	19,053,987
Analysis of cash and cash equivalents:			
Cash and bank balances		12,100,440	12,053,987
Short term investment		44,693,967	7,000,000
At year end		56,794,407	19,053,987

The notes on pages 27 to 60 are integral part of these financial statements.

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

1. Reporting entity

The South Akim Rural Bank Limited (SARB) is a Limited Liability Company registered in Ghana and authorised by its Regulations and a banking license issued by the Bank of Ghana to engage in the provision of banking and related services including the taking of deposits and lending of money. It was incorporated on 25th August 1984 and commenced business on 13th June 1986.

The Bank is domiciled in Ghana with its Head Office in Nankese and its branches and agencies located in the Eastern region.

2. Summary of significant accounting policy

2.1 Basis of preparation

a. Statement of compliance

The financial statements of South Akim Rural Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Financial Reporting Standard Board (IFRSB) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

The financial statements were approved by the Board of Directors on the date signed under the financial position.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments to the extent required or permitted under the Bank's accounting policies and set out below.

- Assets and liabilities held for trading are measured at fair value
- Financial instruments designated at fair value through profit or loss are measured at fair value
- Investments in equity are measured at fair value
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual terms do not give rise solely to payments of principal and interest are measured at fair value; and
- Available-for-sale financial assets are measured at fair value

c) Functional and presentation currency

These financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional currency. Financial information in Ghana cedis have been rounded to the nearest one Ghana Cedi (GH¢ 1)

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

d) Use of estimates and judgements

The preparation of financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

2.2 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, and have been applied consistently by the Bank.

2.2.1 Revenue recognition

The Bank recognises revenue in the financial statements on the accrual basis when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Bank's activities. The Bank bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Interest income

Interest income, including income arising from loans and advances and other financial instruments are recognised in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter year to the net carrying amount of the financial asset. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The recognition of interest income ceases when the payment of interest or principal is in doubt. Interest is included in income thereafter only when it is received. Loans are re-evaluated on the accrual basis only when doubts about their collectability are removed and when the outstanding arrears of interest and principal are received.

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

2.2.1 Revenue recognition (continued)

(b) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service is provided. Commission and fees arising from negotiation or participation in the negotiation of a transaction such as the arrangement for a loan are recognised upon completion of the underlying transaction.

Commissions and facility fees are credited to income when earned with reasonable certainty and in the case of facility fees, in the year in which the related loan is granted.

(c) Dividend income

Dividends are recognised in the statement of profit or loss in 'dividend income' when the Bank's right to receive payment is established.

2.2.2 Interest expense

Interest expense is recognised in the profit or loss for all interest-bearing financial instruments measured at amortised cost, this include savings and fixed deposits, current accounts and loans from ARB Apex as interest accrues using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expenses. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or where appropriate, a shorter year to the net carrying amount of the financial liability

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument.

2.2.3 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.2.3 Income tax expense

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

2.2.3 Income tax expense (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2.2.3 Financial assets and liabilities

a) Recognition

The Bank initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

b) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

c) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

d) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Financial statements for the year ended 31 December, 2022*(All amounts are stated in Ghana cedi unless otherwise stated)***Notes and significant accounting policies****e) Fair value measurement**

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

f) Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised on the unimpaired portion through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognised through other comprehensive income.

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with ARB Apex Bank Limited and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

When the Bank purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date, the financial asset is accounted for as a loan, and the underlying asset is not recognised in the Bank financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the Bank chooses to carry the loans and advances at fair value through profit or loss.

j) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

2.2.4 Provisions

Provisions are recognised when the Bank has:

- a present obligation (legal or constructive) as a result of a past event,
- and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,
- and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that the reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

2.2.4 Provisions (continued)

(a) Provision for restructuring/reorganization

A restructuring or reorganization is a programme that is planned and controlled by management which will materially change the scope and manner in which the business is conducted e.g. the termination or sale of business. A provision for restructuring can only be recognized if there is a constructive obligation which is established if the following conditions are met:

- There is a detailed formal plan that identifies the part of the business, location and employees who will be affected by the restructuring
 - A valid expectation has been created to those who will be affected by the restructuring.
- Provision for restructuring is made if a constructive obligation exists before the end of the financial year. However, if the constructive obligation arises after year end, and the provision is material, the material effect is disclosed in the financial statements in accordance with IAS 10.

Restructuring provision cost include direct expenditures that will be incurred because of the restructuring and excludes any cost associated with ongoing activity of the entity. E.g. training of staff, relocation of staff, marketing and investment in new machinery

2.2.5 Employee benefits

Short term employment benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the year in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as result of past performance.

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity.

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Payments to defined contribution retirement benefits plans are charged as an expense as they fall due.

A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

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Notes and significant accounting policies

(a) National pension scheme

The Bank contributes 13.0% of qualifying employee costs to a National Pensions Scheme and the contribution is charged to the Profit and Loss Account as part of total Employee Benefit. The National Pension Scheme is a creation of law and managed by the Government of Ghana through the appropriate public and private sector entities.

(b) Provident fund

The Bank has a provident fund scheme for all employees who have completed their probation with the Bank. Employees of the Bank contribute 9% of their basic salary to the fund while the Bank contributes 7.5%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated. The fund is managed by Metropolitan Pensions Trust Ghana

Termination benefits

Termination benefits are recognized as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognized if Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

2.2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventories are measured using the weighted average method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimate costs of completion and the estimated costs necessary to make the sale.

Cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The inventories are stationeries of the Bank.

2.2.7 Impairments of assets and other financial assets

The Bank assesses at each end of the reporting year whether there is any indication that an asset may be impaired. If any such indication exists, that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is possible to estimate the recoverable amount of the individual asset, the recoverable amount of the Cash-Generating Unit (CGU) to which the asset belongs is determined. The recoverable amount of a cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less than any accumulated depreciation or amortization is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a downward revaluation.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as an upward revaluation.

Financial statements for the year ended 31 December, 2022**(All amounts are stated in Ghana cedi unless otherwise stated)****Notes and significant accounting policies****2.2.8 Share capital and equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as part of equity.

2.2.9 Related parties

Related parties are individuals and companies, where the individual and the Bank have the ability directly or indirectly, to control the other party or exercise significant influence on the other party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements.

2.2.10 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial year in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Property, plant and equipment (continued)

- Land and Buildings	5% per annum
- Plant and Machinery	25% per annum
- Office Equipment	25% per annum
- Motor Vehicles	33 ¹ / ₃ % per annum
- Computers and Accessories	25% per annum
- Furniture, Fittings and Structures	20% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property and equipment were impaired as at 31 December 2022 (2021 December: nil).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

2.2.11 Intangible assets

Intangible assets are initially recognized at cost.

Where an intangible asset arises through an internal project, the cost of that intangible asset is the total expenditure incurred from the development phase of the project when the Bank can demonstrate all of the following:

- the technical feasibility to completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete and the ability to measure reliably the expenditure during the development.

Expenditure incurred during the research phase of an internal project and all other expenditure incurred on internally generated intangible assets is recognised as an expense in the income statement when it is incurred.

Intangible assets are subsequently carried at cost less any accumulated amortisation and any impairment losses. For purposes of determining the amortisation of intangible assets, the useful lives of these assets are assessed as being either indefinite or finite.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Bank. Amortisation is not provided for these intangible assets but test for impairment.

For all other intangible assets, amortisation is provided on a straight-line basis so as to write down the cost of the intangible assets, less their residual values, on the straight-line basis over their useful lives

The amortisation charge is recognised as an expense in the income statement. The amortisation year and amortisation method applied to an intangible asset with a finite useful life is reviewed and adjusted if necessary, on an annual basis. These changes are accounted for as a change in estimate.

Intangible assets with indefinite useful lives are tested for impairment annually by determining the recoverable amount of the assets either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment is made prospectively.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an intangible asset is included in the income statement and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the date of de-recognition.

Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is ten (10) years. The only software acquired during the year was Temenos 24 (T24) which the software used by the Bank for their operations.

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(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

2.2.11 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.2.12 Standards/Amendments to standards issued that the Bank has not adopted for the reporting year

2.2.12.0 changes in accounting policies

There were no new standards adopted by the bank in the year 2022.

A number of other new standards are also effective from 1 January 2022 but they do not have a material effect on the Banks's financial statements.

The adoption of IFRS 16 Leases (2.1) did not impact the expenses and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

The effect of initially applying this standard is mainly attributed to making additional disclosures related to IFRS 16.

2.2.12.1 IFRS 16 Leases

Under IFRS 16, lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The adoption of the standard did not impact the expenses and the related assets and liabilities recognised by the Bank.

3. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgments and assumptions made in applying the bank's accounting policy

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and assumptions that have a risk of causing adjustments to the carrying amounts are:

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

(i) Fair value of financial instruments

The fair values of financial instruments where no actual markets exist or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

(ii) Investment measured at amortised cost

The Bank follows guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as investment measured at amortised cost. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to collect investment income. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire category as investment measured at fair value through other comprehensive income. These investments would therefore be measured at fair value and not amortised cost.

(iii) Property, plant and equipment

Critical estimates are made by Directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2.2.10

(iv) Income taxes

Significant estimates are required in determining the provision for income taxes. The deferred income tax has been based on future profitability assumptions.

3.2 Stated capital and reserves

(a) Statutory reserves

This represents the cumulative amounts set aside as non-distributable reserve from annual profit after tax in accordance with Section 34 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The amount transferred ranges from 12.5% to 50% of the net profit after tax, depending on the ratio of the current statutory reserve fund to stated capital.

(b) Capital surplus/reserves

The capital reserve account is a creation of law under Sections 70 and 71 of the Companies Act, 2019 (Act 992) and records gains or losses arising from the revaluation of assets of the Bank including its property, plant and equipment and quoted equity investment. The International Financial Reporting Standards (IFRS) require the evaluation at regular intervals of these property, plant and equipment. The Bank has therefore adopted a policy to evaluate its assets at regular intervals.

(c) Retained earnings

The retained earnings record the cumulative annual profits (after appropriations) available to shareholders which is not distributed as dividend as at the reporting date.

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Notes and significant accounting policies

(d) Development fund reserve

This is an amount transferred from profit after tax and set aside to fund for the building projects of the bank.

3.3 Events after reporting date

The Bank adjusts the amounts recognized in its financial statements to reflect events that provide evidence of conditions that existed at the statement of financial position date.

Where there are material events that are indicative of conditions that arose after the reporting date, (material on adjusting events) the Bank discloses, by way of note, the nature of the event and the estimate of its financial effect, or a statement that such an estimate cannot be made.

3.3.1 Domestic debt exchange programme (DDEP)

On 5th December 2022, the Government of Ghana launched Ghana's Domestic Debt Exchange programme, an invitation for the voluntary exchange of approximately GHS137 billion of the domestic notes and bonds of the Republic, including E.S.L.A. PLC and Daakye bonds, for a package of New Bonds to be issued by the Republic. A successful settlement and conclusion of Ghana's Domestic Debt Exchange Programme (DDEP) of the Government was announced on 27th February, 2023.

To help manage the potential impacts of the Debt Exchange on the Financial sector, financial sector regulators will deploy all regulatory and supervisory tools to mitigate risks to financial stability. Regulators will assess impacts on a regular basis, and quickly address evolving risks in order to safeguard financial stability.

3.3.2 Appointment, retirement and re-election of Board members

Mr. William Kwadwo Boateng retired as the Board chairman on 2nd January, 2023. Dr. Mark Boadu and Mr. Stephenson Samuel Ayeh were appointed as Chairman and Vice chairman on 2nd January, 2023 respectively.

3.4 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. The structure of the financial position has changed in order to conform to the directives of the presentation of financial statement by Bank of Ghana.

Where IAS 8 applies, comparative figures have been adjusted to conform to changes in presentation in the current Year.

3.5 Prior year adjustment

Being corrections made to reconcile the opening balances of statutory reserve, credit risk reserve and the payment of dividend in 2021.

4.0. Financial risk management

Introduction and overview

An organization may be exposed to different types of financial risks depending on the size and complexity of business activities. South Akim Rural Bank Limited, however, is generally exposed to:

- | | |
|----------------------|-----------------------|
| (a) Credit risk | (e) Compliance risk |
| (b) Liquidity risk | (f) Legal risk |
| (c) Market risk | (g) Reputational risk |
| (d) Operational risk | (h) Capital risk |

4. 0. Financial risk management

The identifying, measuring, monitoring and controlling these risks, and regulatory capital management is presented below:

Risk management framework, objectives, policies, procedures and processes

Risk management framework

The Board of Directors and Senior Management have developed and established policies and procedures to facilitate effective risk management. These policies and procedures provide guidance on risk appetite/tolerance limit, risk identification, monitoring and control and adherence to set risk limits. The risk management policies and procedures are continually reviewed to reflect changes in economic and financial landscape as well as products and services offered.

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The responsibilities of the Board of Directors include; setting out the overall risk appetite/tolerance limit, ensuring that the overall risk exposure is maintained at prudent levels and consistent with available capital.

They also include ensuring that Management as well as individuals responsible for Risk Management possess sound expertise and knowledge to accomplish the risk management function and that appropriate policies and procedures for risk management are in place.

The board Sub-Committees on Audit Assurance, Finance & Administration and Credit and the Management Committee as a whole oversee the implementation of the broad risk management policies and objectives of the Bank.

Financial statements for the year ended 31 December, 2022*(All amounts are stated in Ghana cedi unless otherwise stated)***Notes and significant accounting policies****(a) Credit risk****Credit risk management**

Credit risk represents the loss which the bank would suffer if a customer or counter-party to financial instruments failed to meet its contractual obligations.

Credit Risks terms from outright default due to inability or unwillingness of a client or counterpart to meet commitment in relation to lending, trading settlement and other financial transaction. Resultant losses may result in reduction in receivables Portfolio value due to the actual or perceived deterioration in those receivables portfolio quality.

The bank has established credit policies under which new customers are assessed for credit worthiness before credit is extended to them.

The Management Technical Committee is responsible for implementing the credit risk policy/strategy, monitoring credit risk on a Bank-wide basis and ensuring compliance with credit limits to be approved by the Board. Business strategies, policies and procedures for managing credit are determined bank-wide with specific policies and procedures being adopted for commercial loans, small and medium enterprises and salary loans.

Managing problem loans

The Recoveries Unit within the Credit Department manages delinquent facilities including outright recoveries or nursing of such problem loans back to health. At delinquent and past due stages, where recovery efforts are unsuccessful, the Credit Department refers the client to the Bank's contractual external collectors-Lawyers and sometimes uses task force. In some cases, the Bank gets authority to dispose of security assets to defray the loan balance.

Provisioning for loans and advances

Credit losses are anticipated and charged in the statement of profit or loss on a monthly basis. The balance in the impairment allowance account is always equal to at least the required provisions based on the current risk rating profile. If the status of the loan worsens, the balance of the provision account is increased by an additional charge against earnings.

In conformity with Bank of Ghana's directives, the minimum provision that are held are as follow;

Credit risk rating	Days past	Minimum Provision (%)	
		2022	2021
Current	Less than 30	1	1
OLEM	31-90	10	5
Sub-standard	91-180	25	25
Doubtful	181-360	50	50
Loss	Over 360	100	100

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Notes and significant accounting policies

In conformity with Bank's policy on IFRS 9, financial Instrument measurement and impairment, the minimum provision that are held are as follow;

Product	Stage 1		Stage 2		Stage 3		Total	Total
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Agric	1,066,288	2,753	2,899	10	7,052	7,052	1,076,239	9,815
Trading	21,039,954	47,933	1,315,893	29,279	2,013,541	2,010,367	24,369,388	2,087,579
Transport	333,325	1,826	78,378	1,848	62,484	62,484	474,187	66,158
Others	11,429,238	12,570	19,508	386	171,762	171,762	11,620,508	184,718
Cottage industries	1,172,424	5,461	142,16	3,319	154,627	145,625	1,460,247	154,405
Total	35,041,229	70,544	1,558,874	34,842	2,400,466	2,397,290	39,000,569	2,502,675

Exposure to credit risk

The carrying amount of financial assets represents the bank's maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2022	2021
Cash and cash equivalents	12,100,440	12,053,987
Financial assets held to maturity	69,632,620	53,511,649
Loans & advances	36,522,507	36,950,862
Other assets	1,554,683	2,342,313
Equity investment	200,928	200,928

All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

The provision for credit losses is done using Bank of Ghana guidelines, within the context of the principles of IFRS. Where possible, this involves the individual assessment of loans and advances outstanding having regard to factors that may impair or impede the ability of loan holders to retire the loans on time. The general outcome of the assessment and review processes leading to the impairment provision at the reporting date is as follows:

Category	Percentage provision	2022	2021
Current	1%	377,973	334,085
Other loans especially mentioned (OLEM)	10%	18,939	7,345
Sub-standard	25%	187,823	181,403
Doubtful	50%	537,475	707,834
Loss	100%	<u>1,355,851</u>	<u>1,546,420</u>
		<u>2,478,061</u>	<u>2,777,087</u>

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Notes and significant accounting policies

Management adopted IFRS 9 for reporting in 2018 and has put in a policy in assessing the individual loans and advances outstanding to fairly value such loans and advances. Management has considered a lot of factors before coming out with the fair values. At the reporting date, management has classified its loan and advances into stage 1, stage 2 and stage 3 loans and advances. Any change in the position of management based on IFRS 9 and the Bank of Ghana position is reported as credit risk reserve in the statement of changes in equity. As it is not practicable to treat the change in policy retrospectively, management decided to treat the change as a prospective change. Always the credit risk reserve must be positive.

Exposure to credit risk

The outcome of the assessment and review processes leading to the impairment provision at the reporting date based on IFRS 9 is as follows:

Provision

Stage 1 exposure	70,544
Stage 2 exposure	34,841
Stage 3 exposure	<u>2,397,290</u>
Total	<u>2,502,675</u>

(b) Liquidity Risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities.

The Bank's liquidity risk management systems comprise two main processes;

- Assessment of the Bank's financing requirements on the basis of budgets in order to plan appropriate funding sources and;
- Analysis of daily cash report to monitor daily cash flow position

The table below analyses the Bank's financial assets and financial liabilities that will be used to settle excluding the impact of netting agreements, into relevant maturity groupings based on the remaining year between the reporting dates to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows based on the earliest date on which the Bank may be required to pay using its liquid assets.

Maturities of financial assets and liabilities

At 31 December 2022	Up to 1 month	1 – 12 months	1 – 5 years	Non-interest bearing	Total
Financial assets					
Cash and bank balances	12,100,440	-	-	-	12,100,440
Trading investment	11,100,000	9,412,584	-	4,426,069	24,938,653
Loans and advances	672,699	10,581,553	25,268,255	-	36,522,507
Equity investments	-	-	200,928	-	200,928
Other assets	-	-	-	1,554,683	1,554,683
Total financial assets	23,873,139	19,994,137	25,469,183	5,980,752	75,317,211

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Notes and significant accounting policies

Financial liabilities

Customer deposits	10,837,902	35,289,746	43,687,574	15,876,642	105,691,864
Long term borrowing	-	-	187,500	734,518	922,018
Dividends payable	-	-	-	1,350,355	1,350,355
Accounts payable	-	-	-	3,647,650	3,647,650
Total financial liabilities	10,837,902	35,289,746	43,875,074	21,609,165	111,611,887
Total finance gap	13,035,237	(15,295,609)	(18,405,891)	(15,628,413)	(36,294,676)

At 31 December 2021

Total financial assets	48,328,428	42,762,001	200,928	6,768,382	98,059,739
Total financial liabilities	12,834,793	80,483,704	1,058,018	3,204,487	97,581,002
Total finance gap	35,493,635	(37,721,703)	(857,090)	3,564,895	478,737

The gap shows that the Bank may face challenges if customers should undertake panic withdrawals from all agencies across the Bank. Management is still managing and monitoring information circulation to fight against any such events.

(c) Market risk

Interest rate risk

Interest rate risk represents the risk exposures the Bank has in relation to instruments whose value vary with the level of interest rates. These include investments, debt securities, and borrowings.

The borrowings with floating interest rates. All of its borrowings are at floating interest rates.

Exposure to the risk of changes in market interest rates relates primarily to its long-term Interest rate exposure is managed primarily through negotiating new borrowing agreements that carry lower and more stable interest rates.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is the risk of loss arising from the potential that inadequate information systems, breaches of internal controls, fraud, technological failure and unforeseen catastrophes may result in unexpected loss or reputational problems.

Over the years the bank has developed a thorough and consistent framework of policies, procedures and tools to identify, measure, monitor, control and actively manage its operational risks in a timely and effective manner.

(e) Compliance and regulatory risk

In order to strengthen the compliance with regulatory requirements, the Bank organizes series of dedicated training on a regular basis to equip staff with compliance and regulatory issues in order to minimize risk emanating there from.

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Notes and significant accounting policies

(f) Legal risk

The Bank's activities are undertaken in a manner which adequately reduces the risks which may arise out of material litigation to be initiated against it (The Bank).

(g) Reputational risk

The Bank conducts its business in a responsible, professional and transparent manner. The Bank safeguards the interest of its clients as well as its reputation. This is aimed at demonstrating our commitment and fostering a long-term relationship with our clients and the public at large. We manage our image and reputation in a professional manner.

(h) Capital risk management

The primary objectives of the Bank externally imposed capital requirement by the Bank of Ghana and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and maximize shareholders value. In order to maintain the desired level of capital, the Bank may vary its dividend policy or issue new shares. The Bank complied with all externally imposed capital requirement throughout the year.

5.1 Financial assets and financial liabilities**Fair values**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements.

	Carrying amount		Fair Value	
Financial Assets	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	12,100,440	12,053,987	12,100,440	12,053,987
short term investment	44,693,967	7,000,000	44,693,967	7,000,000
Loans and advances	36,522,507	36,950,862	36,522,507	36,950,862
Other assets	1,554,683	2,342,313	1,554,683	2,342,313
Trading investments	24,938,653	46,511,649	24,938,653	46,511,649
Total	119,810,250	104,858,810	119,810,250	104,858,810
Financial liabilities				
Customer deposits	105,691,864	92,214,537	105,691,864	92,214,537
Long term liabilities	922,018	1,058,018	922,018	1,058,018
Payables and accruals	3,647,651	3,204,487	3,347,651	3,204,487
Dividend payable	1,350,355	1,103,959	1,350,355	1,103,959
Total	111,611,888	97,581,001	111,611,888	97,581,001

Financial statements for the year ended 31 December, 2022*(All amounts are stated in Ghana cedi unless otherwise stated)***Notes and significant accounting policies**

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

5.1 Financial assets and financial liabilities (continued)

The following methods and assumptions were used to estimate the fair values: -

Cash and short-term deposits, loans and advances, deposits and current accounts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term, fixed-rate and variable-rate receivables/borrowings are evaluated by the Bank based on parameters such as interest rates. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at December 31, 2022, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values. Also, staff loans which are given at an interest rate lower than the effective interest rate are assumed to have a fair value as the carrying amount as tools for managing the fluctuations are not in place when management decided to measure them at fair value by creating staff cost and deferred interest to be amortised over the staff loan life span.

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, the Ghana Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observation market data when available. The Bank considers relevant and observable market prices in its valuation when possible.

The fair value of the Bank's financial assets and liabilities approximate the respective carrying amounts, due to the generally short years to maturity dates.

As at 31 December 2022, the Bank held the following financial instruments measured at fair value:

2022	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	200,928	36,120	-	164,808
Trading investment	15	24,938,653	-	24,938,653	
Loans and advances	18	36,522,507	-	-	36,522,507

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Notes and significant accounting policies

As at 31 December 2021, the Bank held the following financial instruments measured at fair value:

2021	Note	Total	Level 1	Level 2	Level 3
Equity investment	19	200,928	36,120	-	164,808
Trading investment	15	46,511,649	-	46,511,649	-
Loans and advances	18	36,950,862	-	-	36,950,862

The Bank carries quoted and unquoted equity shares as equity investment financial instruments classified as Level 1 and level 3 within the fair value hierarchy.

6.1 Regulatory Disclosure**2022****2021**

Gross Loans (GH¢)	39,000,568	40,443,126
Performing loans (GH¢)	35,629,079	36,608,525
Non-performing loans (GH¢)	3,371,488	3,834,600
Non-performing loan ratio (NPL %)	8.64%	9.48%
Loan loss provision ratio	6.35%	6.87%
Ratio of 20 largest exposures to total credit (%)	7.98%	8.18%
Capital Adequacy Ratio (CAR %)	13.35%	15.39%
Primary Reserve - No. of defaults	Nil	Nil

7. Interest income**2022****2021**

Loans and advances	11,165,889	11,024,611
Government securities & other investments	9,708,010	7,464,854

20,873,899**18,489,465****8. Interest expense****2022****2021**

Savings and fixed deposit accounts	4,145,050	3,600,511
Interest on loan	57,104	94,100

4,202,154**3,694,611****9. Commission and fees****2022****2021**

Commitment fees	770,874	711,872
Commission	1,128,058	671,730

1,898,932**1,383,602**

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(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

10. Other operating income	2022	2021
Other income	562,037	437,411
Service charge	14,272	47,171
Profit on disposal	40,671	7,230
Sundry income	100,868	63,965
	717,848	555,777
10.1 Impairment loss	2022	2021
At start of year	2,780,312	2,191,751
Reconciliation to provision	(3,225)	-
Restated balance	2,777,087	-
Bad debt written off	(815,195)	(408,630)
Impairment after write off	1,961,892	1,783,121
Charged to profit or loss	516,169	997,191
Impairment at year end based on Bank of Ghana Guidelines	2,478,061	2,780,312
11. Other operating costs	2022	2021
Staff related costs - note (11a)	8,531,552	7,570,158
Depreciation	628,595	470,747
Directors' fees	-	80,280
Audit fees	55,000	46,000
Microfinance expenses	508,255	370,382
General and administrative expenses-note (11b)	5,956,711	4,761,771
	15,680,113	13,299,338
11(a). Staff related cost	2022	2021
Salaries and wages	6,229,136	5,895,328
Staff social security	743,990	600,361
Staff provident fund	455,235	284,957
Staff training and development	90,067	138,083
Staff medical costs	107,401	108,464
Housing expenses	1,557	-
Other staff allowances	904,166	542,965
	8,531,552	7,570,158

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Notes and significant accounting policies

11(b) General and administrative expenses	2022	2021
Electricity & water	258,942	249,413
Board meeting expenses	394,711	272,020
Police guard expenses	393,023	343,554
Travelling expenses	97,427	64,901
Office expenses	161,300	130,047
Printing & stationery	244,852	250,720
Repairs & maintenance	177,408	139,277
Rent & rates	179,241	162,253
Telephone postage	35,972	34,464
Insurance expenses	534,758	397,106
Advertising & publicity	68,153	44,597
Shortage in till	434	-
Anniversary expenses	50	131,872
Annual general meeting expenses	194,403	-
Vehicle running expenses	1,246,794	593,501
Entertainment/protocol expenses	174,410	111,879
Specie expenses	48,148	51,804
Annual subscription	96,499	82,813
Computerisation	374,077	394,569
Cheque clearing expenses	36,021	37,200
Generating plant	75,170	55,514
Donation	72,133	77,394
Legal expenses	79,022	83,326
Motor vehicle repairs & Maintenance	146,285	201,350
Audit expenses	19,030	12,441
Bad debts	37,702	-
Other expenses	372,666	515,388
Business promotion	438,079	324,368
	5,956,711	4,761,771

12(a). Taxation

	Balance at 1/1/2022	Charge for the Year	Adjustment	Payments	Balance at 31/12/2022
2019	(101,198)				(101,198)
2020	(58,446)	-			(58,446)
2021	169,765		-		169,765
2022		872,103	-	925,000	(52,897)
	10,122	872,103	-	925,000	(42,775)

The above tax position is subject to the agreement of the Domestic Tax Revenue Division of the Ghana Revenue Authority.

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Notes and significant accounting policies

(b) Charge to income statement	2022	2021
Current income tax expense	872,103	911,842
Charge to income statement for deferred tax	216,655	(70,210)
Underestimate	(126,750)	(159,643)
Balance at year end	962,008	681,989
(c) Deferred tax	2022	2021
Balance at year start	(123,418)	(53,208)
Charge to income statement	216,655	(70,210)
Balance at year end	93,237	(123,418)
12(d) Reconciliation of effective tax rate	2022	2021
Profit before tax	3,092,243	2,437,704
Income tax using domestic tax rate (25%)	773,061	609,425
Tax effect of non-deductible expense	261,979	499,164
Tax effect of over/under estimate	(126,750)	(159,643)
Effect of deferred tax	216,655	(70,210)
Tax effect of capital allowance	(162,937)	(196,747)
Tax expense charge to profit or loss	962,008	681,989
Effective tax rate (%)	31.11	38.84
13. Cash and cash equivalents	2022	2021
Cash holdings	4,743,635	5,505,414
Bank (Note 32b)	2,555,794	1,878,161
ARB Apex Bank PLC- 5% Deposit (Note 16)	4,801,011	4,670,812
	12,100,440	12,053,987
14. Short-term investments	2022	2021
Apex certificate of deposit (ACOD 7/30)	11,100,000	1,000,000
Treasury bills note	33,593,967	6,000,000
	44,693,967	7,000,000

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Notes and significant accounting policies

15. Trading investment	2022	2021
Fixed deposit with Non-Bank Financial Institution	4,426,069	4,426,069
Government stock	23,200,000	43,599,232
	27,626,069	48,025,301
Unearned interest	(2,687,416)	(1,513,652)
	24,938,653	46,511,649
16. ARB Apex Bank PLC- 5% Deposit	2022	2021
At start of year	4,670,413	3,921,428
Net Investments during the Year	130,598	748,985
At year end	4,801,011	4,670,413
17. Investment in subsidiary	2022	2021
SARB Service Limited	1,800	1,800
The SARB Service Limited is a subsidiary but as at 31 December, 2021, the Company is no more in existence except its net assets that procedures will be followed to liquidate the Company by appointing a liquidator.		
18 (a) Loans and advances		
Analysed by type of facility	2022	2021
Advances	9,836,402	10,094,554
Loans	<u>29,164,166</u>	<u>30,348,572</u>
	39,000,568	40,443,126
Less: provision for credit losses	(2,478,061)	(3,492,264)
	36,522,507	36,950,862
b) Analysed by type of customer	2022	2021
Individuals	19,853,687	21,089,999
Private institutions	5,038,185	5,242,551
Others	<u>14,108,696</u>	<u>14,110,576</u>
	39,000,568	40,443,126
Less provision for credit losses	(2,478,061)	(3,492,264)
	36,522,507	36,950,862

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(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

(c) Sectorial report	2022	2021
Loans		
Agriculture	1076,239	980,607
Cottage industry	1,460,247	2,212,848
Transport	474,187	976,347
Commerce	14,654,655	15,393,025
Others (Microfinance)	11,498,838	10,785,745
	29,164,166	30,348,572
Advances		
Commerce	9,688,856	9,297,935
Others	147,546	796,619
	9,836,402	10,094,554
Total loans and overdraft	39,000,568	40,443,126
Less provision for credit losses	(2,478,061)	(3,492,264)
	36,522,507	36,950,862
19. Equity Investments	2022	2021
Quoted shares		
Societe Generale Ghana PLC	9,600	9,600
GCB Bank PLC	26,200	26,200
Cocoa Processing Company PLC	320	320
	36,120	36,120
Unquoted shares		
ARB Apex Bank PLC	164,808	164,808
Total	200,928	200,928
20. Other Assets	2022	2021
Office accounts	271,469	73,125
Stationery stock	304,290	286,272
Inter-agency	-	12,967
Uncleared effect	(563,517)	141,019
Interest in arrears	(304,985)	-
Migrating suspense	(2,317)	-
CC Uncleared effect	201,128	-
E-Zwich/ ATM Stock	174,058	-
Sundry debtors	-	215,499
Covid19 loans managed by the Bank	-	-
Interest and commission accrued	1,474,557	1,613,431
	1,554,683	2,342,313

Financial statements for the year ended 31 December, 2022

(All amounts are stated in Ghana cedi unless otherwise stated)

Notes and significant accounting policies

21. Prepayments	2022	2021
Rent	206,583	413,044
Insurance	718,168	175,854
	924,751	588,898

22a. Property, plant and equipment- 2022	1 January Cost/valuation	Additions	Reclassification	31 December
Land & Building	1,126,113	-	-	1,126,113
Office Equipment	461,834	50,960	43,210	556,004
Plant & Machinery	344,085	-	-	344,085
Motor Vehicle	1,641,278	988,459	-	2,629,737
Computer & Accessories	933,741	-	82,646	1,016,387
Furniture & Fittings	804,892	-	-	804,892
	5,311,943	1,039,419	125,856	6,477,217

Accumulated Depreciation	1 January	Charge for the year	Disposal	31 December
Land & Building	454,407	56,306	-	510,713
Office Equipment	358,401	54,888	-	413,288
Plant & Machinery	286,717	18,004	-	304,721
Motor Vehicle	1,276,754	358,613	-	1,635,366
Computer & Accessories	761,359	68,636	-	829,995
Furniture & Fittings	688,509	33,644	-	722,153
	3,826,147	590,090	-	4,416,237

Carrying values:

Land & Building	615,400
Office Equipment	142,715
Plant & Machinery	39,364
Motor Vehicle	994,371
Computer & Accessories	186,392
Furniture & Fittings	82,738
	2,060,980

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Notes and significant accounting policies

22b. Property, plant and equipment- 2021	1 January Cost/valuation	Additions/ reclassification	Disposal	31 December
Land & Building	1,126,113	-	-	1,126,113
Office Equipment	653,422	19,190	(210,778)	461,834
Plant & Machinery	272,070	72,015	-	344,085
Motor Vehicle	1,242,368	406,010	(7,100)	1,641,278
Computer & Accessories	808,021	133,220	(7,500)	9,33,741
Furniture & Fittings	739,593	75,890	(10,591)	739,592
	4,841,587	706,325	(235,969)	5,311,943
Accumulated Depreciation	1 January	Charge for the year		31 December
Land & Building	398,102	56,305		454,407
Office Equipment	520,974	45,604	(208,177)	358,401
Plant & Machinery	255,474	31,243	-	286,717
Motor Vehicle	1,092,372	191,477	(7,095)	1,276,754
Computer & Accessories	687,748	81,111	(7,500)	761,359
Furniture & Fittings	664,506	34,455	(10,452)	688,509
	3,619,176	440,195	(233,224)	3,826,147
Carrying values:				
Land & Building				671,705
Office Equipment				103,433
Plant & Machinery				57,368
Motor Vehicle				364,524
Computer & Accessories				172,383
Furniture & Fittings				116,383
				1,485,796
23. Intangible assets		2022	2021	
Cost		385,054	385,054	
Accumulated depreciation		(117,188)	(78,683)	
Balance		267,866	306,371	

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Notes and significant accounting policies

24. Customer Deposits	2022	2021
(a) Analysed by type of accounts		
Time deposits	26,611,774	26,958,566
Current account	15,876,642	11,730,833
Other deposits	21,180,716	-
Savings accounts	42,022,732	53,525,138
	105,691,864	92,214,537
(b) Analysed by Type of Customers		
Susu	37,889,379	16,870,235
Government agencies and department	897,240	684,671
Private Enterprise	6,657,992	4,022,889
Individual	60,247,253	70,636,742
	105,691,864	92,214,537
25. Long term liabilities	2022	2021
Other sources CAP	734,518	-
ARB Apex Bank PLC	187,500	1,058,018
	922,018	1,058,018
26. Payables and accruals	2022	2021
Accrued interest	1,371,942	1,084,985
Bills payable	70,829	127,049
Audit fees	55,000	46,000
Police guard	43,200	38,400
Office accounts	538,792	375,869
Uncleared effect	-	381,916
Software license fee payable	651,033	112,307
PAYE and withholding tax payable	-	256,221
Inter-Agency	-	170,946
Redenomination account/interest suspense	762,801	-
Ezwich	154,053	610,794
	3,647,650	3,204,487
27. Dividend payable	2022	2021
At start of year	1,103,960	1,118,991
Dividend declared at AGM	671,923	-
Payments	(425,528)	(15,031)
At close of year	1,350,355	1,103,960

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Notes and significant accounting policies

28. Stated Capital	Number	2022 Proceeds	Number	2021 Proceeds
Authorised				
Authorised ordinary shares	<u>100,000,000</u>		<u>100,000,000</u>	-
Issued Ordinary Shares for:				
Cash and other than cash	81,151,699	3,487,878	80,763,127	3,449,021
Additions during the year	2,446,236	314,330	388,572	38,857
At year end	83,597,936	3,802,208	81,151,699	3,487,878

29. Development fund	2022	2021
At start of year	553,272	3,009,417
Prior year adjustment	-	(2,000,000)
Reinstated balance	553,272	1,009,417
Transfer from retained earnings		-
Agency developments costs	-	(456,145)
At year end	553,272	553,272

29.1. Credit risk reserve	2022	2021
Balance at start of year	244,756	-
Bank of Ghana position after IFRS impairment	2,478,061	2,780,311
IFRS Impairment provision	(2,502,675)	(2,532,330)
At year end	220,142	-

30. Statutory Reserve Fund	2022	2021
At start of year	3,509,707	3,070,778
Prior year adjustment	(679)	
Transferred from Retained earnings	266,279	438,929
At year end	3,775,307	3,509,707

The Statutory Reserve Fund is required under section 34 of the Banks and Special Deposit Act, 2016 (Act 930)

a) Where the amount of Reserve Fund is less than fifty per cent of the paid-up capital of the bank or specialised deposit-taking institution, an amount which is not less than fifty per cent of the net profit for the year

SOUTH AKIM RURAL BANK LIMITED

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Notes and significant accounting policies (continued)

30. Statutory Reserve Fund (continued)

b) Where the amount of Reserve Fund is fifty per cent or more but less than one hundred per cent of the paid-up capital of the bank or specialised deposit-taking institution, an amount which is not less than twenty-five per cent of the net profit for the year;

c) Where the amount of the Reserve Fund is equal to hundred per cent or more of the paid-up capital of the bank or specialised deposit-taking institution, an amount equal to twelve and half per cent of the net profit for the year.

31. Earnings per Shares

Basic earnings per share (EPS) is calculated by dividing the profit after tax for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Profit attributable to ordinary shareholders	2,130,235	1,755,715
Weighted average shares	83,597,936	81,054,539
EPS	0.025	0.023

32. Cash and Cash Equivalents

	2022	2021
Cash holdings (Note 13)	4,743,635	6,332,476
Bank (Note 32b)	2,555,794	1,051,099
ARB Apex Bank PLC-5% Deposit (Note 16)	4,801,011	4,670,412
Short term investment (Note 14)	44,693,967	7,000,000
	56,794,407	19,053,987

32(b). Bank Balance

	2022	2021
ARB Apex Bank PLC	1,598,103	1,051,099
Other banks (Mobile money)	957,691	827,062
	2,555,794	1,878,161

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Notes and significant accounting policies (continued)

33. Capital commitments

There were no outstanding capital commitments at the reporting date (2021: Nil).

34. Contingencies

There were no contingent assets or liabilities not provided at the reporting date (2021: Nil).

35. Legal proceeds

There were no legal proceedings against the Bank at the reporting date (2021: Nil).

36. Related party transactions

a) Key management personnel and directors

Key Management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of South Akim Rural Bank Limited (directly or indirectly) and comprise the Directors and senior management.

For the year under review, key management personnel include:

- i. Board of Directors -refer to list on page 1

36. Related party transactions

b. Transactions with Directors and Key Management Personnel

The details of transactions between the Bank and its key management personnel are as follows:

Key management and staff compensation	2022	2021
Directors Emoluments	-	80,280
Salaries and other benefits to senior management	2,779,464	2,769,464

SOUTH AKIM RURAL BANK LIMITED

Financial statements for the year ended 31 December 2022

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Notes and significant accounting policies (continued)

36. Related party transactions (continued)

c. Loan transactions with Directors and Key Management Personnel

Loans to Board members and management staff are given in line with the policies of the Bank. Below is the details:
Loans to Board members and senior management staff are given in line with the policies of the Bank. Below are the details:

Details	At start of year	Addition	Payments	At year end
Directors	243,881	350,000	(549,547)	44,334
Firms that Directors have interest	558,190	700,000	(565,077)	693,114
Senior management staff	1,653,534	193,800	(264,862)	691,561

d. All Directors and key management staff have interest in shares at year end

Shareholding Structure

(i) Number of Shares Outstanding

Earnings and dividend per share are based on 83,597,936 (2021: 81,151,699) Ordinary Shares Outstanding).

(ii) Directors Shareholding:

The total number of shares held by the Directors of the Bank at the reporting date represented 6.64% of total number of shares outstanding then. Below are the details

Directors' shareholding as at 31 December 2022

Names of Directors	No. of Shares	Percentage of Issued Capital
1. William Kwadwo Boateng	2,163,002	2.59
2. Joseph Sarpong	2,000,295	2.39
3. Elizabeth Afriyie Fianko (Mrs.)	515,630	0.62
4. Dr. Mark Boadu	388,659	0.46
5. Stephenson Samuel Ayeh	324,504	0.39
6. Dr. Edward Kwapong	<u>157,112</u>	<u>0.19</u>
	<u>5,549,202</u>	<u>6.64%</u>

SOUTH AKIM RURAL BANK LIMITED

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(All amounts are expressed in Ghana Cedi unless otherwise stated)

Notes and significant accounting policies (continued)

(iii) Key Management staff other than the Board of Directors shareholding as at 31 December 2022

Key management staff also invested in the shares of the Bank

The total number of shares held by the Key Management Staff of the Bank at the reporting date represented 0.774% of total number of shares outstanding then. Below are the details of Key Management Staff's shareholding as at 31 December 2022.

Name	No. of shares	% of shares issued
Stephen Yamoah Nteful	160,175	0.192
Felicity Baah	203,106	0.243
L. T Okunka Bruce	37,639	0.045
Richard Kpodji	45,500	0.054
Fred Ofori Anim	47,961	0.057
Mark Anim Ayeh	34,581	0.041
Dzigbordi Gadotor	94,902	0.114
Shani Mohammed	<u>23,612</u>	<u>0.028</u>
	<u>647,476</u>	<u>0.774</u>

37. Cash flows from operating activities:

	2022	2021
Profit before tax	3,092,243	2,437,704
Add: depreciation	628,595	470,747
Prior year adjustment	(726,232)	(2,869,411)
Profit on disposal	-	(7,230)
Tax adjustment	126,750	-
Cash Inflow before changes in working capital	3,121,356	31,810
Increase in loans and advances	428,355	(2,152,586)
Increase in other assets	787,630	2,171,838
Increase in customer deposit	13,477,327	8,471,266
Increase/(decrease) in accounts payable	689,560	478,971
Decrease/(increase) in prepayments	(335,854)	(118,730)
	18,168,374	8,882,569